Swisscom in a nutshell

Corporate profile

**Leading operator in Switzerland**
- Strong market position in Telco and ICT
- Best-in-class networks – both in wireless and fixed
- Excellent innovation and customer experience

**Alternative operator in Italy through Fastweb**
- Service differentiation via own 360° infrastructure
- Growing across all segments

**Value focus**
- Solid strategy with outstanding track record in execution
- Stable and disciplined management team
- High commitment to long-term value generation

**Trustworthy brand**
- Winner of several quality and service tests
- Trust with positive impact on willingness to pay

**Stable shareholder structure**
- Government owns 51%
- Ownership of >50% required by law
- 1 Government representative in board of directors

Financial profile

**Stable since many years**
- Net revenue of CHF ~11.6 billion
- EBITDA of CHF ~4.2 billion
- CAPEX CHF <2.4 billion

**Free cashflow matters**
- Operational excellence a top priority
- Targeted cost savings 2018-2020 of CHF 300 million

**Conservative financial behaviour**
- Net debt to EBITDA of 1.7-1.8x
- A2/A (both stable) ratings
- Among the best-rated EU Telecoms

**Robust dividend**
- CHF 22 per share since 2011
- High predictability and sustainability
- Attractive yield in Swiss francs
Leading in Switzerland

**Mobile by Q1 18**
- swisscom: 60%
- Sunrise: 22%
- Salt: 17%
- upc: 1%

**Broadband by Q1 18**
- Cable: 32%
- Digital Satellite & Antenna: 68% (o/w 15% wholesale)

**TV by Q1 18**
- swisscom: 34%
- upc: 27%
- Sunrise: 26%
- 5% other Cable
- 8% digital Satellite & Antenna
The alternative operator in Italy

**Consumer broadband by YE 17**
- **Fastweb**: 16%
- **Wind**: 16%
- **TIM**: 49%
- Others: 5%
- **15mn lines**

**Consumer mobile by YE 17**
- **Fastweb**: 37%
- **Wind**: 35%
- **TIM**: 1%
- Others: 27%
- **~83mn active SIMs**

**Corporate by YE 17**
- **Fastweb**: 29%
- **TIM**: 54%
- **Wind**: 5%
- Others: 8%
- **€ 2bn**
**Steady financial performance since years**

### Financial performance

- **Net revenue**: 11'703, 11'678, 11'643, 11'662, ~11'600 in CHF
- **EBITDA**: ~4'200, <2'400 in CHF
- **CAPEX**: <2'400 in CHF

### Revenue split

- **Retail Customers**: 51%
- **Enterprise Customers**: 18%
- **Wholesale and Others**: 21%
- **Fastweb**: 10%

### Top-line steady, but with mixed dynamics

- Usage-based revenues down, access-based (bundle) revenues up
- Fastweb with stable contribution thanks to volume growth

### CAPEX envelope remains on current level driven by UBB extension

### EBITDA more or less flat

- Cost management crucial in Switzerland
- Fastweb expected to contribute underlying growth

### Stable dividend payment, CHF 22 per share since 2011
Our environment

**Switzerland**
- A synonym for **quality, stability and solidity**
- Market volume: ~10mn SIMs and ~5mn homes
- **Strong macroeconomic** conditions
- Mature markets with penetration >100% drive bundling and convergence further up
- **Regulation ex-post** and investment-friendly, leading to network competition on fixed and w- infrastructure
- **Reliable political system**

**Italy**
- **Price-sensitive** market
- Market volume: ~83mn SIMs and ~24mn HHs
- **Improving economic situation** with GDP up
- Fibre investments stimulate **appetite for more UBB**
- Entrance of new w- operator leading to higher market dynamics and **enforced convergence migration**
- B2B with **promising outlook**
- **Unique political framework**

**Sector**

**CAPEX intense industry**
- Increasing data appetite and need for bandwidth
- New technologies
- External factors (topography, regulation, etc.)
- Monetisation challenges (irrational behaviour)

**Market size matters**
- Telco is a fixed cost business
- Market size and share crucial
- Hard work first, M&A second

**Digital transformation**
- IP drives structural changes
- New businesses chances with growth potential
- Efficiency opportunities
Strategic focus on maximising cashflow

Best customer experience
- Best service
- Best infrastructure
- Innovative products

Operational excellence
- Efficient operations
- Digital transformation
- Smart investing

Future growth
- Extend core business
- Push in adjacent markets
- Approach internet-based business models
Priorities to keep leadership in customer inspiration

- Deliver best customer services
- Foster mobile and smart home products
- Drive innovation further
- Upgrade network performance
- Increase convergence penetration
Best coverage, bandwidth and network reliability

**W+ network update**

- **Technology mix key** in bandwidth expansion

  ![UBB coverage](image)
  - FY 2017: 27%
  - Q2 2018: 30%
  - Target 2021: 90%
  - 55% > 80 Mbps
  - 75% > 200 Mbps

- Currently ~3.37mn fibre connections o/w 1.39mn FTTH, enabling strong HD (>96%) and UHD (>83%) coverage for Swisscom TV

**W- network update**

- **2G coverage**: >99%
- **3G coverage**: >99%
- **4G coverage**: 99%
- **4G+ coverage up to 400Mbps**: 80%
- **4G+ coverage up to 450Mbps**: 60%
- **Up to 1 Gigabit**: 99%

- Extending technical lead of Switzerland’s best network to offer the best experience with high-definition videos, gaming, virtual reality and lightning-fast surfing
inOne our new value proposition

inOne home

Highspeed Internet, Digital TV & telephony

- Benefit from Switzerland's largest broadband network with ultra-fast Internet, Swisscom TV and unlimited fixed network telephony
- Highspeed Internet up to 1 Gbit/s
- Swisscom TV in 4K, > 300 channels, 7 days of reply, recordings, smart remote, personalised universe
- Telefomy in HD voice, spam filter

inOne mobile

Safe flexible and easy

- Unlimited calls, SMS/MMS and surfing in CH
- Roaming: Worldwide SMS and 100 MB data included each year
- Multi Device
- Unlimited online storage in Switzerland for photos, videos and other data
- Up to 40.– discount per month on your mobile subscription with the inOne benefit
inOne performance as of 30 June 2018

**RGU base**

- inOne Mobile
- t/o FM bundled

<table>
<thead>
<tr>
<th>Mar 18</th>
<th>Jun 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>inOne Mobile</td>
<td>1,257</td>
</tr>
<tr>
<td>t/o FM bundled</td>
<td>689</td>
</tr>
</tbody>
</table>

**Penetration**

- inOne mobile
- RGUs within Retail postpaid base
- 37% Q1
- 43% Q2

- inOne broadband
- RGUs within Retail BB base
- 42% Q1
- 48% Q2

**Quarterly ARPU impacts**

- Wireless
- Wireline
- Convergence

<table>
<thead>
<tr>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>0</td>
<td>-6</td>
</tr>
<tr>
<td>3</td>
<td>-3</td>
<td>-9</td>
</tr>
<tr>
<td>0</td>
<td>-6</td>
<td>-12</td>
</tr>
</tbody>
</table>
TV leadership thanks to continuous innovation

### Best platform
- 7 days replay on all channels
- 1200h cloud recording
- 4K/HDR
- Smart remote

![New remote with voice recognition](image)

- New box: smaller and highly performing

### Best customer experience
- 3rd Generation UI
- Personal universe
- Easy search
- TV on demand (linear)

### Best content
- More than 300 channels
- Own pay tv offering
- Exclusive sport rights
- Netflix and sky access
Launch of new products increasing share of wallet

**Smart home products**

- **New WiFi Router**
  - WLAN-Box with IBP/S
  - Launch new repeater

- **Smart Home**
  - Expansion of proposition

- **MyCloud**
  - Launch new mobile clients
  - Launch MyCloud Pro

- **Security**
  - Internet Guard
  - Callfilter

**Mobile products**

- **Multi Device**
  - Data and voice
  - Messaging and accessory
  - National and roaming and extension to IoT

- **eSIM / RSP**
  - Standardization
  - Better customer experience
  - Driver for multi device

- **Advanced Communication**
  - Enriched calling and messaging
  - Multi number
  - Convergent communication

* Remote SIM Provisioning
Best service enabling maximum value delivery

We’re always there for our customers

We create the best customer experience
- Our channel strategy optimises the organisation of activities for the customer and improves the customer experience
- We ensure the right mix of online and offline channels to meet our customers’ current needs
- Inspiring sales and services
- Employees can make decisions for the best possible customer experience
- Every customer contact should be an experience

We are reliable
- We keep our promises during every customer contact, and we inform customers clearly if this is not possible
H1 highlights

H1 financials as expected.
Revenue CHF 5.81bn, EBITDA CHF 2.14bn, Net income CHF 0.79bn, FCF proxy CHF 1.07bn

inOne success continues.
1.89mn customers (+550k in H1) with 3.75mn subs, penetration further up and cementing churn at 5%

>1.5mn TV subs and steady RGU momentum.
Postpaid +3k (175k Retail retentions), BB +3k, TV +9k, Retail bundles +16k, voice line trend improving

Spectrum auction takes place in January 2019
Network expansion with 5G technology enforces Swisscom’s USP

Enhanced customer excellence.
Launch of new advise and shopping concept; introduction of internet guard service and multi-device option

B2B with diverging dynamics.
Workplace management with key wins; banking facing some headwinds; outlook positive

Appealing Fastweb performance.
+95k mobile net adds, +17k BB net adds. Underlying EBITDA in € up by +5% YoY

Consequent cost control
with indirect cost savings of CHF -56mn in H1. FTE base further down (-570 YTD)

FY 2018 outlook reiterated.
Revenue CHF ~11.6bn EBITDA CHF ~4.2bn CAPEX CHF <2.4bn
Market performance

**Swisscom Switzerland**

**Broadband**
- 2017: 2'028
- 2018: 1'906

**Fixed voice**
- 2017: 1'906
- 2018: 1'906

**Postpaid**
- 2017: 4'649
- 2018: 4'649

**Fastweb**

**Fixed income**

**Profile**
- 2017: 16
- 2018: 10
Operational performance of Retail Customers

Wireless

Q2 17 | Q1 18 | Q2 18
---|---|---
blended ARPU | 43 | 41 | 41
non-metered share | 85% | 88% | 87%

Wireline

Q2 17 | Q1 18 | Q2 18
---|---|---
blended ARPU | 41 | 40 | 41
non-metered share | 87% | 89% | 90%

Fixed and FX Bundles

Q2 17 | Q1 18 | Q2 18
---|---|---
blended ARPU | 128 | 132 | 136
HH* in FM bundles | 28% | 32% | 33%
Postpaid subs in FM bundles | 24% | 31% | 33%

* HH = total broadband subscriptions + [total 1P voice subs – total 1P broadband subs]
Key financial results

Net revenue

<table>
<thead>
<tr>
<th></th>
<th>Group H1 17</th>
<th>Swisscom Switzerland</th>
<th>Fastweb</th>
<th>Others</th>
<th>One-offs 2)</th>
<th>Group H1 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>2'831</td>
<td>-39</td>
<td>+45</td>
<td>+5</td>
<td>+43</td>
<td>2'885</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>2'859</td>
<td>-47</td>
<td>+51</td>
<td>+12</td>
<td>+45</td>
<td>2'920</td>
</tr>
</tbody>
</table>

In CHF mn

<table>
<thead>
<tr>
<th></th>
<th>Group H1 17</th>
<th>Swisscom Switzerland</th>
<th>Fastweb</th>
<th>Others</th>
<th>One-offs 2)</th>
<th>Group H1 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>5'690</td>
<td>-86</td>
<td>+96</td>
<td>+17</td>
<td>+88</td>
<td>5'805</td>
</tr>
</tbody>
</table>

EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Group H1 17</th>
<th>Swisscom Switzerland</th>
<th>Fastweb</th>
<th>Others</th>
<th>One-offs 1)</th>
<th>Group H1 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>1'073</td>
<td>-27</td>
<td>+10</td>
<td>-7</td>
<td>+10</td>
<td>1'058</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>1'187</td>
<td>-24</td>
<td>+7</td>
<td>-9</td>
<td>+7</td>
<td>1'085</td>
</tr>
</tbody>
</table>

In CHF mn

- Service revenue: -124
- 1/0 one-time 1): -11
- Hardware: +41
- Solutions: -12
- All other: +9
- Fixed voice lines: -35
- Convergence discounts: -44
- Outbound roaming: -9
- B2B: -25
- Indirect cost: +56
- All other: +6

1) One-time customer-fidelity effects in Q1 2018 impacting Retail Customers with CHF -9mn and Enterprise Customers with CHF -2mn, 2) Consists of currency impacts (CHF +90mn) and IFRS15 adjustments in 2018 (CHF -2mn), 3) Consists of other income from litigations at Fastweb in 2017 (CHF -102mn), currency impacts (CHF +28mn), gain of sale of real estate (CHF +3mn) and IFRS15 adjustments in 2018 (CHF -33mn)
Financial policy

Leverage/Rating

- Preserve a single A Rating
- Target leverage ratio (unadjusted) of around 1.8-1.9x EBITDA
- Targeted equity ratio of 30%

Shareholder distribution

- Dividend per share of CHF 22 if annual financial targets are met
- Target solid remuneration aligned with cash flow generation and capital allocation

Liquidity management

- Keeping physical liquidity at a minimum
- Two committed backstop-facilities of CHF 1bn each until August 2020/ March 2022
- Substantial non-committed money market overdraft facilities in EUR and CHF

Financial risk management

- Active monitoring and managing interest rate and foreign exchange risks
- Yearly defined risk limits to protect operative cash flow
- Strict monitoring of counterparty risk
Maturity profile

- Successful domestic and Eurobond transactions YTD
  - CHF 150mn with a coupon of 1% and maturity in 2035
  - EUR 500mn with a coupon of 1.125% and maturity in 2026
- Debt portfolio actively managed
  - Duration of 4.6 years
  - Avg. interest rate of 1.5%
  - 83% fix, 17% floating

* excl. short-term money market borrowings
2018 tendencies and guidance

**Underlying 2018 EBITDA changes** (in CHF mn)
- CHF -20mn Outbound Roaming
- CHF -60mn Voice line losses
- CHF -80mn Convergence discounts
- CHF -40mn B2B price pressure
- CHF +10mn Cost cutting
- CHF +100mn Fastweb

**2018 guidance** (in CHF mn)
- CHF ~11'600mn Revenues
- CHF ~4'200mn EBITDA
- CHF <2'400mn CAPEX

- Swisscom plans to propose again a dividend of CHF 22/share, upon meeting its 2018 targets
Regarding forward-looking statements

- "This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

- Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom’s ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom’s and Fastweb’s past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies’ websites.

- Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

- Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise."

For further information, please contact:
phone: +41 58 221 6279 or +41 58 221 1279
investor.relations@swisscom.com
www.swisscom.ch/investor